



# First Cooperative Association

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December, 2007



## MANAGER'S CORNER

By Jim Carlson  
General Manager

[jcarlson@firstcoop.com](mailto:jcarlson@firstcoop.com)

On behalf of the Board and all of the FCA Employees, I want to thank all of the members who were able to join us for one of this year's Annual Meeting sessions to see and hear how the support and business they provided made this past year a good one for their cooperative.

If you were unable to attend one of the meetings and would like to have a copy of the financial statements that were presented, please feel free to stop into your nearest FCA location to request one.

This was another profitable and in many areas record-setting year for FCA, and at this time I would like to briefly note some of the highlights that were reported at the Annual Meeting that all of you can be very proud of.

*Total Sales* for the year set a *New Record* at nearly *\$158 Million*, and I am pleased to report that we had a *\$1,777,000 Net Savings* for the year.

Your Board of Directors authorized a *Total Patronage Dividend* to the members of *\$1,125,626*, of which 30% or *\$337,688 Was Paid In Cash*.

Adding this year's cash patronage payment to the equity and estate payments which were also made during the 2006/07 fiscal year of operations gives us *Total Cash Payments To Members of \$1,076,095*.



*Best Wishes For A  
Joyous Holiday Season  
To All Of Our Customers  
And To Their Families*

*From All Of Us  
Board Of Directors  
Employees & Families  
FIRST COOPERATIVE ASSOCIATION*

Again, I feel all of you can be both pleased and proud of the on-going commitment FCA has made to return patronage and equities to the members for the support and business they provide to their cooperative.

As I discussed in my presentation at this year's Annual Meeting, this past year of business was another year of positive growth for FCA as we continued to add to and upgrade customer service assets that are needed to meet the needs of your farming operations.

This past year's projects included ...  
... *Adding over 1 million bushels* of new storage facilities with 514,000 bushel bins being built at our Laurens and Marcus locations.

With these new bins included, FCA has now added over 4.5 million bushels of storage space covering seven of our locations in the past three years, while at the same time increasing grain receiving capacities by 45,000 bushels per hour at four locations and upgrading grain drying capabilities at 4 locations as well.

... *Expanding our custom* application service capabilities with the addition of a new liquid/dry TerraGator with a 1,800 gallon tank and 80 foot booms for VRT spraying of liquid nitrogen in the spring, and a VRT equipped dry box for spreading precise rates of P & K in the fall or early spring.

... *The addition of two bulk seed*

storage bins, each of which holds nearly 2,000 bags of seed to bring added convenience to serving our customers soybean seed needs.

... *Adding a new 4,500 gallon* fuel delivery truck and a new 5,000 gallon LP delivery truck to further enhance fuel/energy services to our customers.

... *The purchase of BJK Propane* with facilities in the communities of Fonda, Newell and Sioux Rapids.

... *Surpassing \$21 million* in sales from our participation in Feed Partners LLC as feed tonnage reached an all time high, and the purchase of a new feed delivery truck to enhance customer service.

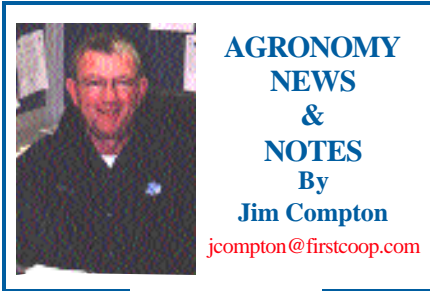
Beyond all of these positive developments, FCA has also continued to maintain a strong balance sheet to enable our cooperative to sustain steady growth so that we can continue to keep pace with your needs and the changes taking place on your farms, in your fields and throughout agriculture.

In other business that concluded with this year's Annual Meeting, the membership elected four individuals to serve on the Board, each for a three year term of office.

Directors *David Dean* was re-elected to represent the North Central District; Director *Randy Sennert* was re-elected to represent the East

**CORNER**

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**AGRONOMY  
NEWS  
&  
NOTES  
By  
Jim Compton**

[jcompton@firstcoop.com](mailto:jcompton@firstcoop.com)

Mother Nature made sure there was no room for wondering about how much longer we might be able to work in the fields, since when the temperatures dropped and the rain, sleet, snow and ice arrived, the decision was pretty much made for everyone.

We have had an absolutely fantastic fall season, and while I do not have any of the acre or tonnage figures in front of me just yet, I think I'm safe in saying that we probably broke a few records.

I know that's a fact in terms of fall applied NH-3, which, as of the last week in November, was over 1,000 tons higher than what we had ever sent out. In fact, we totally exhausted our inventory.

That's more or less the same story across the state, as I understand it, and there is little doubt everyone was trying to get as much NH-3 applied as they could this fall before winter arrived after they saw the increases on all nitrogen forms listed for spring needs.

Not only is everyone going to benefit from an economic standpoint if these spring prices remain as high as they are, and there's no reason to assume they won't, but there has also been a huge bite taken out of the workload everyone will be facing when spring arrives.

We were running strong with the VRT application of lime and P & K as the bad weather moved into the area, and here too there are many incentives to get as much product down now rather than push things back to spring.

Potash supplies are very tight, and could become even tighter if they don't get things straightened out in the area of Russia that supplies a little over 10% of the world supply.

Increased worldwide demand is driving the price of all crop nutrients higher, and supply issues are shaping up to become steadily more serious as a result.

China and India, for example, are experiencing huge growth in food

production, and are grabbing up virtually every non-committed pound of nutrients that hit the open market.

I recently read a report showing that within just the last five years the world's demand for nitrogen has increased by 14%, phosphate demand is up by 13% and potash demand is now 19% higher.

These increases alone represent over 21 million tons of N-P-K products, and that just happens to be the total amount of nutrients used in this country annually.

These tight supply challenges aren't going to fade any time soon, and with the limited sources available to turn to for N-P-K in the marketplace, there is now a tremendous premium for planning well in advance to lock in supply and price.

That, in turn, requires firm decisions to be made, often many weeks and months farther in advance than ever before, and that goes for you and your farming operation as well as for FCA as your supplier.

Waiting until just before it's time to plant the crop and/or thinking supply decisions can be made in-season are no longer options at the price levels nutrients are moving to these days, and with the limited availability of products we're likely to confront for the foreseeable future.

We were able to keep pace with most of the needs of our customers this fall, but as I said, by the final week in November our NH-3 inventories were exhausted.

We have also been able to keep pace with the P & K needs of our customers, but again this can be credited to the advance planning that you have done with your FCA Agronomists, and that kind of planning has definitely paid off very well.

We'll need to continue the planning process as we begin to firm up crop input orders and inventories that remain to be locked in for 2008's crop, and our late December, early January pre-pay

program is one of the best ways you can help us and help yourselves to lock in a good price and a dependable supply for spring.

These pre-pay prices will be available prior to the holidays so you can put crop input expenses on the books before December 31st to get them into the 2007 tax year, and the same pricing will be in effect through January 11th so you can lock in those same savings on your needs and have the expense put into the 2008 tax year.

Your FCA Agronomists are also advising me seed supplies are rapidly disappearing, especially on some of the most popular corn hybrids and soybean varieties, and particularly on those with traits and combinations of traits that it seems most everyone is stocking up on heavily.

Therefore, I'd also encourage you to make decisions soon on any and all of your 2008 seed needs, especially if there are particular genetic traits you're anxious to plant, specific seed sizes or other characteristics you prefer, etc.

Taking time to visit with your FCA Agronomist in the weeks ahead will definitely be some of the most valuable time you can spend getting your inputs lined up for the 2008 crop, and when spring gets here I feel you will look back and be very happy you took the time to do this in December rather than waiting.

In closing for this time I want to express our thanks to all of our customers for their support and business, and for their great cooperation, the good communications and for the tremendous teamwork that were shown this fall, and throughout the entire season.

We have appreciated the opportunity to work with you and to be of service to your crop production needs, and speaking for the entire FCA Agronomy Team I want to say *Thank You and Best Wishes For The Holidays To All!*

## Holiday Hours At First Cooperative

### CHRISTMAS HOLIDAY

Closed Monday & Tuesday, December 24th & 25th

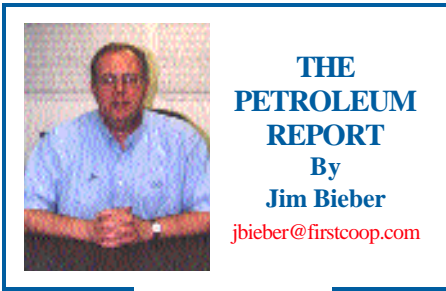
### NEW YEAR'S HOLIDAY

Closed Tuesday, January 1st



*Please Plan All Supply-Service-Business Needs  
In Advance Of These Holiday Closing Date  
So We Can Serve You Promptly & Efficiently*





**THE  
PETROLEUM  
REPORT**

By  
**Jim Bieber**  
jbieber@firstcoop.com

We have had a very smooth transition providing service to the new FCA customers who have been served by B & M Services, and our thanks to *Ken Essick* and *Gary Meseck*, the experienced drivers who joined the *FCA Fuel/Energy Team* from B & M, for the fine job they have done and their assistance with this process.

We are continuing to seek an individual to operate a service and repair business in the Sioux Rapids building previously housing B & M Services, and if you know of anyone that might be interested, please have them contact me for the details.

Looking back at the past several months, I feel the entire fall season went fairly smooth all across FCA Country.

We want to thank all of our customers for their cooperation in planning and scheduling of fuel needs to help us maximize efficiencies and to provide quality, timely service.

Of course now that the winter has settled in, we're running the energy routes on a regular basis to keep our customers supplied with their heating needs, and we have recently added a new chassis to the LP truck serving our customers in the Newell area.

Speaking of winter, and before I forget, a reminder to everyone that hasn't already changed their paper filters on fuel systems to do so at once, since in the cold temperatures we'll be having, the water these filters absorb freezes and shuts off the flow of fuel.

It's a well documented fact that water logged filters that freeze cause far more starting problems that fuel gelling, so change all filters now.

As we look ahead to next year, we will once again be offering our *Spring Diesel Fuel Contracts* and *Early Bird LP Contracts*, both of which have worked very well for our fuel and energy customers.

This fall the *Fall Diesel Fuel Contracts* also proved to be a solid economic decision for our cus-

tomers, who saved a lot of money compared to the much higher in-season prices that diesel fuel hit.

The fuel and energy markets remain unpredictable and volatile as speculation causes prices to move minute to minute in sums that in the past took weeks or even months, and we continue to monitor these fast moving markets for opportunities that can be used to lock in savings for our customers' needs.

The entire Fuel/Energy Team extends our very *best wishes to all of you for the holiday season*, and speaking for all of us I hope all of you will have a *Very Merry Christmas and Happy New Year!*



**LIVESTOCK  
PRODUCTION  
COMMENTS**

By  
**Keith Reetz**  
kreetz@firstcoop.com

Winter has arrived, and the suddenness and seriousness of this first storm of the season has re-introduced all of us who have livestock to the added challenges that winter brings to feed delivery, and the added value and importance of planning well in advance so deliveries can be made in the most timely and efficient manner.

Even when winter conditions are favorable, there are still a number of additional challenges to the process of getting feed to the farm during the winter season.

For one thing, there are fewer daylight hours, so advance planning, ordering and scheduling helps us with routing delivery and making the best use of every hour of daylight we do have.

For another, when the temperatures are cold a person has to be bundled up for protection against the

elements, so it just takes more time working with the equipment, feeder doors, gates and so forth.

And of course motors and engines are stubborn, equipment can be snow or ice covered, as can feeder doors and gates, so that also takes more time on each stop.

Then, when you add in slick roads and driveways, the delivery people need to drive slower for safety and be more careful and cautious with every step they take, so that adds to the amount of time each delivery stop takes.

After all, having a truck get stuck in a ditch or in someone's drive or feedlot doesn't help anyone, and certainly having one of the men injured in an accident or falling and getting hurt are things we definitely want to do everything possible to prevent happening.

The bottom line, of course, is that it takes more time at each delivery, and between each delivery, and the only way to keep pace with the needs of our customers is to be as efficient as we possibly can, and that is where you come in.

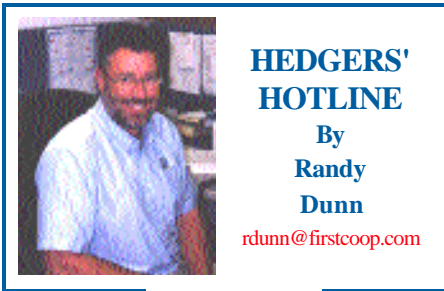
Planning and ordering in advance enables us to route delivery of feed more efficiently by products as well as by area, and that saves valuable time every time a feed delivery truck leaves the mill.

Your cooperation and advance planning of feed orders to accommodate the holiday season will be even more important and appreciated by all of the mill and delivery people, and even more so by the members of their family who want to have these men home for the holidays to enjoy all of the activities taking place in our communities, schools and churches, and in the home along with the rest of their family.

I know your consideration will be greatly appreciated, and with that I'll close and *wish all of you the very best for the upcoming holiday season from the FCA Feed Team.*

**December Feed Specials Save You \$\$\$\$\$**  
**RANGELAND 30-13 TUBS**  
*Order 8 Or More Tubs - \$2.00 Per Tub Off*  
*Order 7 Or Fewer Tubs - \$1.00 Per Tub Off*  
 (Tubs Must All Be Picked Up At Same Time For Discount To Apply)  
**SAVE \$1.00**  
**Per Bag Or Per Block On All Minerals**  
 (Special Discounts Good Through December 31st Only)





**HEDGERS' HOTLINE**

By  
**Randy  
Dunn**

rdunn@firstcoop.com

Corn and soybean prices continue their upward march, right along with crude oil prices, which also continue to move steadily upward.

If it wasn't apparent last year that grain prices are now tied closely to energy, it now clearly looks like this inescapable link will continue until some alternative fuel source replaces petroleum products, and I don't know anyone who thinks this is even a remote possibility for years to come.

This is not to say that grain prices can't go lower even if we have continued strength in the crude oil price.

We are seeing the squeeze that ethanol producers are feeling as evidenced by some plants that have stopped expanding, halted construction in progress and, in some cases, some that have never moved beyond planned construction.

More evidence of the ethanol industry getting tougher to operate in is the announcement of the merger between U.S. Bio and Verasun who operates numerous ethanol operations, including the plants at Albert City and Ft. Dodge.

Before crude oil made its run toward \$100.00 per barrel, ethanol was trading as low as \$1.55 per gallon on the Chicago Board of Trade (CBOT).

At that time crude oil was at \$75.00 to \$80.00 per barrel, however the current ethanol prices are a little over \$1.90 per gallon.

A good rule of thumb we can use is that the maximum price ethanol plants can pay for corn and breakeven in ethanol production is approximately two times the price of a gallon of ethanol.

Using the above figures to illustrate this, ethanol trading at \$1.55 would suggest the most plants could pay for corn would be around \$3.10 at the low of \$1.55 ethanol was traded at.

And at the current level of \$1.90 it suggests they could pay as much as \$3.80 and still be at breakeven.

A Reuters News survey of 37

energy analysts predicted that the average price of crude oil for 2008 would be under \$80.00 per barrel.

I have no idea if this will happen, but if the value of the dollar comes back to where it was a few months ago, it is very possible we could see oil under \$80.00 again.

If that happens, ethanol prices will most likely go down too, and if that happens it will make our corn worth less than it is today.

On the other hand, world events could take oil prices higher than we can even imagine, and corn prices would move higher right along with crude.

The other main factor that should continue to impact prices is the ongoing tug of war over acres between our major crops, and as we look at how this is shaping up today we can see the soybean acreage situation for the coming year is much like the corn acreage situation we faced last year.

Most in the trade feel we need to increase soybean acres in 2008 by 6 to 10 million acres to maintain an adequate supply of soybeans in the U.S.

Just how many of those additional acres we will ultimately need to plant will be partially determined by how good or bad the South American corn crop is this winter.

At this time, Brazilian farmers are planting some additional bean acres, but it's not an exceptionally large increase, and so far they are experiencing fairly good weather.

I have seen several predictions stating we may need to see \$12.00 new crop soybeans to entice enough acres back into bean production in

2008, so there would appear to be some growing space for bean prices.

There are a lot of things happening at home and abroad that will be moving our markets in the weeks ahead, so don't forget to use our price averaging contracts with your marketing strategies.

They are simple to use, they can be started, stopped or changed at any time, and you are only committed to the bushels sold up to the point of making any changes.

Call or stop in to ask about these price averaging contracts and how they can work for you.

**CORNER**

*Continued From Page 1*

District; and Director *Mark Hinkeldey* was re-elected to represent the South Central District.

Director Kent Erickson retired from the Board this year following 9 years of dedicated service and leadership in representing the West District.

To assume Kent's position on the Board, the membership has elected *Steve Hueser* to his first three year term as a Director.

At the re-organizational meeting the Board elected *Greg Mattson* as President, *David Dean* as Vice-President, *Randy Sennert* as Treasurer and *Charles Specketer* as Secretary.

These officers will serve until after the next Annual Meeting is held.

In closing, and on behalf of all of us at FCA, I want to extend our *Very Best Wishes to all of the members of the FCA Cooperative Family for the Very Best Of The Holiday Season.*



First Cooperative Association  
5057 Highway 3  
Cherokee, Iowa 51012

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